

# **U.S. Series EE Savings Bonds Through Payroll Deduction**

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Team  
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# U.S. SERIES EE SAVINGS BONDS

Do you want to start or add to savings for your children's college education, a special vacation, or for an emergency? Consider U.S. Series EE savings bonds, available through payroll deduction - the easy way to save!

## **Q. What are savings bonds?**

**A.** Series EE savings bonds are securities issued by the U.S. Treasury that earn interest for up to 30 years. The purchase price of a bond is half its "face value" - for example, a \$100 bond (the "face value") costs \$50; a \$500 bond costs \$250. Bonds issued on or after May 1, 1997 increase in value monthly rather than every six months. The interest is paid to the bond owner when the bond is redeemed.

## **Q. Do I have to pay taxes on the interest?**

**A.** The interest on U.S. savings bonds is exempt from state and local income taxes. You can defer federal income tax until you redeem the bonds or they stop earning interest after 30 years. This means you can plan ahead and choose when might be the best time to realize income for tax purposes. And, since your interest isn't taxed until you redeem a bond, your savings grow faster.

There are also special tax benefits available for education savings. If you qualify, you can exclude all or part of the interest earned on Series EE bonds from income when the bonds are redeemed to pay for post-secondary tuition and fees.

## **Q. What interest rate do bonds earn?**

**A.** For Series EE bonds issued after May 1995, interest rates are market-based, which means that the rates can vary. Series EE bonds issued on or after May 1, 1997 earn interest from the date of issue at rates equivalent to 90% of 5-year Treasury security yields.

Rates are announced each May 1 and November 1 by the U.S. Treasury. The rates announced each May and November are the annual rates that apply to bonds for that six-month earning period.

## **Q. Where can I get information on current interest rates for savings bonds?**

**A.** For current recorded information, call 1-800-4US-BOND (1-800-487-2663), or visit the savings bond web site at <[www.savingsbonds.gov](http://www.savingsbonds.gov)>.

**Q. What is the maturity date of a bond?**

**A.** There are two maturity dates for Series EE bonds: original maturity is 17 years after the bond is issued and final maturity is 30 years after the issue date. (Look in the upper right hand corner of your bond to find the issue date.) Bonds earn interest based on their original terms and conditions until original maturity. During the extension period (from 17 through 30 years after issue), bonds will earn interest at the rates then in effect for extensions. Bonds stop earning interest at final maturity.

**Q. When do bonds reach face value? If I paid \$50 for a \$100 bond, when will it be worth \$100?**

**A.** Because savings bonds earn market-based rates, it's not certain when a bond will reach its face value. For example, a bond earning an average of 5% would reach face value in 14 1/2 years, while a bond earning an average of 6% would reach face value in 12 years.

If the market-based rates are not sufficient for a bond to reach face value in 17 years, however, Treasury will make a one-time adjustment to increase the redemption value to face value at that time.

**Q. What happens if I have an emergency and need to cash a bond?**

**A.** Bonds may be redeemed at most banks after a six-month holding period. Of course, you won't have had time to earn much interest if you redeem the bonds so quickly.

A 3-month loss of interest will apply to bonds issued on or after May 1, 1997 and redeemed less than five years from the date of issue. Bonds issued before May 1, 1997 will not lose interest if redeemed within 5 years of issue.

**Q. How can bonds help me pay for my children's college education?**

**A.** You have two options. The first option is to participate in the Education Bond Program. Under this program, the interest earned on Series EE bonds purchased on or after January 1, 1990 may qualify for exclusion from income for federal income tax purposes if the bond owner pays tuition and required fees at colleges, universities, and qualified technical schools during the year the bonds are redeemed. Cost of room, board, and books do not qualify as educational expenses for this purpose. The exclusion applies to the post-secondary educational expenses of the taxpayer, the taxpayer's spouse, and any legal dependent. Bonds intended for the education of your dependent children must be issued in the name of the taxpayer(s) of whom the child is a dependent, and the taxpayer must be at

least 24 years of age at the time the bond is purchased.

Certain income and other limitations apply to this education feature. Please refer to the brochures published by the Treasury Department's Bureau of the Public Debt and ask for more information from local offices of the Internal Revenue Service.

If your current or anticipated income exceeds the limitations of the Education Bond Program, there's another option for saving for your child's education. With this option, you shift the tax liability to your children by buying bonds in their name, either alone or with you as beneficiary (not co-owner). Interest income can be reported either annually, as it is earned, or it can be deferred, depending on your child's age and expected future income.

For detailed information about the rules, as well as information on income eligibility, check IRS Publication 550, Investment Income and Expenses; Form 8815 Exclusion of Interest From Series EE U.S. Savings Bonds Issued After 1989; and IRS Form 8818, Optional Form to Record Redemption of College Savings Bonds.

**Q. How do I buy U.S. savings bonds through payroll deduction?**

**A.** You can begin to purchase savings bonds at any time. To start payroll deductions for savings bonds, complete the Authorization for Purchase and Request for Change, United States Series EE Savings Bonds form and return it to the Office of

Human Resources, EOB 7th floor. Be sure to include your Social Security Number and your signature on the form. You will see deductions for bonds on your pay stub within one or two pay periods.

You may purchase bonds with a face value of \$100, \$200, \$500, or \$1000.

Remember, the purchase price of the bond is half its face value. For example, if you want to buy bonds with a face value of \$100 and you authorize \$10 to be deducted from your pay check each pay period for bonds, after 5 pay periods you will have purchased a \$100 bond. The purchase date, or issue date, of the bond (in the upper right-hand corner) determines the rate of interest the bond will earn, when it increases in value, and when it will stop earning interest.

Bonds are issued by the Federal Reserve Bank in Richmond, Virginia, and will be mailed to you at your home.

You will need to designate the bond's registration (who the owner is) and the owner's Social Security number. The County's current payroll system can accommodate

- ☐ Single ownership (one name) and a beneficiary (one name); or
- ☐ Co-ownership (two names).

In addition, *only one bond, in one registration, can be purchased through payroll deduction at one time.* Social Security numbers for owners and co-owners are required.

Remember, bonds purchased for payment of your children's college education under

either of the two options referred to on page 2 have special registration requirements. If you don't register the bonds correctly, you won't be eligible for the tax advantages.

**Q. How do I make a change in my deduction or stop my deduction?**

**A.** Complete the Authorization for Purchase and Request for Change, United States Series EE Savings Bonds and return it to the Office of Human Resources, EOB 7th floor. Be sure to include your Social Security Number and your signature on the form. You will see your change reflected on your pay stub within one or two pay periods.

**Q. What if my bonds are lost, stolen, or destroyed?**

**A.** Bonds that are lost, stolen, mutilated, or destroyed can be replaced free of charge so long as it can be established by the Bureau of the Public Debt that the bonds are still outstanding or have been erroneously paid. Owners should keep records of bond serial numbers, issue dates, registration (names and addresses) and Social Security numbers in a safe place separate from the bonds. If your bonds are lost or stolen, contact the Office of Human Resources at 240-777-5112.

**Q. What do I need to do about my bonds if I move?**

**A.** If you are purchasing bonds and the bonds are being mailed to your home address, you must complete a new Authorization for Purchase and Request for Change, United States Series EE Savings Bonds, indicating your new address. Return it to the Office of Human Resources, EOB 7th floor. Be sure to include your Social Security Number and your signature on the form.

**Q. Why is it "patriotic" to buy U.S. savings bonds?**

**A.** When you buy bonds, you are lending money to the U.S. Government to help pay for federal programs and services. In exchange for the loan of your money, the Government guarantees to repay you, with interest.

**REMEMBER:** Six good reasons to consider beginning or increasing your savings with savings bonds:

- ❑ Bonds are easy to buy through payroll deduction. There are no fees or commissions.
- ❑ Bonds are affordable. *You* decide how much you want to save each pay period.
- ❑ Bonds are safe. Your funds are guaranteed by the full faith and credit of the United States.
- ❑ Bond earnings are market-based and keep pace with market rates.
- ❑ Bonds have tax advantages and can be replaced if lost, stolen, or destroyed.

- ❑ Bonds are an investment in yourself - and your country.

NOTE: Information in this booklet is intended to address some of the most commonly asked questions about U.S. savings bonds. For more information, please refer to Department of the Treasury publications and their web site, and to the Internal Revenue Service, where appropriate, for complete and accurate information concerning savings bonds and their tax treatment.

General questions about purchasing savings bonds through payroll deduction may be referred to the Office of Human Resources at 240-777-5112. The Authorization for Purchase and Request for Change form is available in the Office of Human Resources, EOB 7<sup>th</sup> floor.

*Note: This information can be made available in an alternate format, if necessary. Please contact the Benefits and Records Management Team at 240-777-5112.*